

DRAFT

MINUTES

May 19, 2015

Group Insurance Board

State of Wisconsin

Location:

Lussier Family Heritage Center
3101 Lake Farm Road, Madison, WI



BOARD MEMBERS PRESENT:

Jon Litscher, Chair
Bonnie Cyganek, Vice Chair
Michael Farrell, Secretary
Terri Carlson
Herschel Day
Chuck Grapentine

Michael Heifetz
Ted Neitzke
Paul Ostrowski
Daniel Schwartz
Nancy Thompson

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Office of Strategic Health Policy:
Lisa Ellinger, Director
Shayna Gobel, Roni Harper, Bill
Kox, Arlene Larson, Tara Pray
Division of Retirement Services:
Matt Stohr, Administrator
Benefit Services Bureau:
Deb Roemer, Director

Office of the Secretary:
Sherry Etes, Board Liaison
Sharon Walk, Executive Staff Assistant
Supervisor
Office of Legal Services:
Allen Angel,
Vickie Baker,
Liz Doss-Anderson,
Office of Budget and Procurement:
Michael McNally

OTHERS PRESENT:

ETF Office of Strategic Health Policy:
Jeff Bogardus, Mike Bormett,
Sarah Bradley, Eileen Mallow
ETF Legal Services:
Dan Hayes, Angel Johnson,
David Nispel
ETF Benefit Services Bureau:
Gina Fischer, Jim Guidry
ETF Office of Communications:
Nancy Ketterhagen, Mark Lamkins

Legislative Audit Bureau:
Jake Gasser
Medical Associates Health Plan:
Liz Cook, Joy Kaiser
MercyCare:
Sherrie Sargent
Minnesota Life:
Kjirsten Elsner, Chris Schmelzer
Momentum Insurance:
Stephanie Steel

Board	Mtg Date	Item #
GIB	08.25.15	1

Group Insurance Board - Open Meeting Minutes

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ETF Office of the Secretary:

Tarna Hunter

Segal Consulting:

Kristin Schatten, Ken Vieira,

Richard Ward

Ameritas:

Jeremy Earp

Anthem Blue Cross Blue Shield:

Brian Martin, Marin Kleinke

Baraboo Ambulance:

Troy Snow

Colonial Life:

Pat Flanagan

Dean Health Plan:

Katie Beals, Penny Bound

Delta Dental:

Steve LeRoy

Department of Administration:

Mickie Waterman, Nicole Zimm

Department of Transportation Retirees:

Ralph Kobel

EPIC

Russell Hann, Wendy Hougan,

Colleen Walsh

Group Health Cooperative – South

Central Wisconsin:

Emily Daws, Elizabeth Dye

Gundersen Health Plan:

Cali Kline, Kris Scholze,

Sam Schmirler

Health Choice:

Bob Pearson

HealthPartners:

Elizabeth Sue Tobias

Humana:

David Ehrenfried, Elisabeth Wright

Jefferson County:

Terri Palm

Navitus:

Steve Alexander, Tara Argall, Pam Olson

Network Health:

Carrie Helms

Office of the Commissioner of Insurance:

Jason Levine

Physicians Plus:

Ron Sebranek

STAR Project:

Rochelle Martin

Security Health Plan:

Becky Gorst, Ginger Wolf

State Engineering Association:

Bob Schaefer

Unity Health Insurance:

Cari Alexander

UW Hospital and Clinics:

Beth Ritchie, Trina Ruppert

University of Wisconsin – Madison:

Meghan McKenna

University of Wisconsin System

Administration:

LaDonna Steinert

WEA Trust:

Mary Jo Gordon, Mary Karsten

Wisconsin Association of Health Plans:

Phil Dougherty

Wisconsin Association of Health

Underwriters:

Alice O'Connor

Wisconsin Medical Society:

Rick Abrams

WPS:

David Grunke

Individuals:

Art Zimmerman

Mr. Litscher called the meeting of the Group Insurance Board (Board) to order at 8:31 a.m.

CONSIDERATION OF MARCH 25, 2015, OPEN MEETING MINUTES

MOTION: Ms. Thompson moved to approve the March 25, 2015, open session meeting minutes. Ms. Carlson seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Ms. Ellinger referred the Board to the memo, Department of Employee Trust Funds (ETF) Personnel Changes (ref. GIB [5.19.15]2), which outlined key changes within ETF. Those changes include:

- Division of Insurance Services has become the Office of Strategic Health Policy (OSHP).
 - Mike Bormett, formerly ETF's Deputy Administrator of Management Services, has become Deputy Director of OSHP.
 - Bill Kox plans to retire at the end of 2015.
 - Eileen Mallow has joined OSHP as a Strategic Health Policy Advisor
 - Angel Johnson will be the new manager of Employee Reimbursement Accounts, Health Savings Accounts, and Life Insurance Programs.
 - Jessica Rossner will be joining ETF in a new Policy Advisor role.
- Division of Retirement Services
 - Deb Roemer, formerly Director of the Disability Programs Bureau, has become Director of the Benefit Services Bureau in the Division of Retirement Services (DRS). The Disability Programs Bureau has moved with Deb to DRS.
- Division of Management Services
 - Dana Perry, ETF's Chief Information Office and IT Director, has been named Administrator of the Division of Management Services.
 - Stacie Meyer, current Human Resources Director, has been named Deputy Administrator for DMS. Stacie will retain her HR Director role.
 - Steve Mueller has joined ETF as the Chief Information Officer.
- Division of Trust Finance
 - The Office of Trust Finance has become the Division of Trust Finance, Bob Willett will continue to lead this unit as Administrator.
 - Stefanie Pauls will oversee the Financial Compliance Bureau.
 - Michelle Mattox will oversee the Retirement Accounting Bureau.

HEALTH INSURANCE

Establish It's Your Choice Open Enrollment Dates

Mr. Litscher referred the Board to the memo, Setting the It's Your Choice Open Enrollment Period (ref. GIB [5.19.15]3A). Staff recommends the Board approve October 5 – October 30, 2015, as the It's Your Choice Open Enrollment period for 2016.

MOTION: Ms. Thompson moved to approve October 5 – October 30, 2015, as the It's Your Choice open enrollment period for 2016. Mr. Day seconded the motion, which passed unanimously on a voice vote.

Benefit Consultant Report for 2016

Mr. Vieira, Mr. Ward, and Ms. Schatten of Segal Consulting (Segal), the Board's consulting actuary and benefit consultant, presented the 2016 Plan Design Recommendations (ref. GIB |5.19.15|3B). Preliminary recommendations were presented to the Board in March 2015. This report contains further analysis of the recommendations and associated effects on ETF membership.

The recommendations by Segal take into consideration the State's budget proposal, which has a targeted reduction of \$81 million in state employee health insurance costs for calendar years 2016 and 2017, and the potential to hit the Affordable Care Act (ACA) 40% Excise Tax in 2018. The savings achieved in 2016 and 2017 will minimize changes that may be necessary to remain below the ACA Excise Tax threshold in 2018.

The changes recommended by Segal for 2016 are estimated to save \$68 million (M). These changes include:

- Medical Benefits – estimated savings \$50M
 - Uniform Benefit Design
 - Introduce annual deductible
 - Increase annual maximum out-of-pocket
 - Convert office visit cost sharing from coinsurance to copays.
 - Standard Plan
 - Increase annual deductible
 - Increase annual maximum out-of-pocket
 - High Deductible Health Plan with Health Savings Account (HSA)
 - Increase the State's HSA contribution to encourage enrollment
- Pharmacy Benefits – estimated savings \$8M
 - Introduce coinsurance on Level 2, 3 and 4
 - Increase out-of-pocket limits on Level 1, 2 and 4
- Health Plan Negotiations – estimated savings \$10-20M
 - New tiering strategy
- Opt-out Incentive – considered to have negligible financial impact overall

Guidelines/Uniform Benefits Changes for 2016

Ms. Pray and Ms. Larson directed the Board to the memo, Guidelines & Uniform Benefits for the 2016 Plan Year (ref. GIB |5.19.15|3C). Ms. Pray presented five options to the Board for health insurance plan design changes for 2016 and several technical and administrative changes to the Guidelines contract. This included:

- Consideration of changes proposed in the biennial budget
- Segal recommendations

- Benefit recommendations from other sources (members, employers, health plans, etc.)
- Study Group, health plan and public feedback
- Recommended Technical/Administrative Changes
- Suggestions deferred to future plan years

Staff recommended the Board approve Option 2; approve the technical changes to the Guidelines contract detailed in the memo; and grant ETF staff the authority to make additional technical changes as necessary.

Ms. Carlson made a motion to approve Option 2. Ms. Cyganek seconded the motion.

AMENDMENT: Mr. Litscher made a motion to amend the motion to recognize the \$20 million in savings identified by Segal resulting from health plan negotiations, and eliminate the deductible identified as item A of Option 2, which was also estimated to save \$20 million. This amendment would eliminate the deductible for both single and family, and would be cost neutral. Mr. Day seconded the motion, which passed on a roll call vote of six to four, with one abstaining. Ms. Cyganek, Mr. Day, Mr. Grapentine, Mr. Heifetz, Mr. Ostrowski and Mr. Litscher voted aye; Ms. Carson, Mr. Farrell, Mr. Neitzke and Ms. Thompson voted nay; Mr. Schwartzner abstained.

The Board discussed the amendment further and determined that it would still achieve the \$81 million savings required by the biennial budget. The Board also noted that the actual savings from the health plan negotiations would be an unknown until negotiations are complete.

At 9:45 a.m., a recess was requested so that a chart outlining the amended motion could be created and displayed. The meeting recessed. The meeting was called back to order at 10:00 a.m.

A Board member requested that the meeting be called into closed session. The request was denied by the Chair because the public meeting notice did not indicate a potential closed session for this agenda item. ETF General Counsel Mr. Nispel confirmed that the denial was appropriate.

Segal confirmed the savings range of \$10-20 million through health plan negotiations, but noted \$20 million would be aggressive.

The Board discussed the following points:

- Tabling the decision until after negotiations were complete.
- Reversing the decision at the August Board meeting if negotiations achieve the targeted savings.

AMENDMENT WITHDRAWN: Mr. Litscher withdrew his motion. Mr. Day seconded the motion to withdraw.

MOTION: Mr. Farrell moved to revert back to the original motion to approve Option 2 as identified on page 8. Ms. Thompson seconded the motion, which passed on a roll call vote of nine to two. Ms. Carlson, Ms. Cyganek, Mr. Farrell, Mr. Grapentine, Mr. Heifetz, Mr. Neitzke, Mr. Ostrowski, Mr. Schwartzer and Ms. Thompson voted aye; Mr. Day and Mr. Litscher voted nay.

MOTION: Mr. Neitzke moved to accept the technical changes to the Guidelines contract that are detailed in the memo and grant ETF staff the authority to make additional technical changes as necessary. Ms. Cyganek seconded the motion, which passed unanimously on a voice vote.

DISABILITY PROGRAMS

Acceptance of State Income Continuation Insurance Actuarial Valuation

Mr. Stohr introduced Mr. Skwire, Principal and Consulting Actuary of Milliman, Inc (Milliman) who presented the State Income Continuation Insurance (ICI) Actuarial Valuation (ref. GIB |5.19.15|4A1). Mr. Skwire noted the funding deficit in the State ICI plan. Several scenarios were presented to eliminate the funding deficit. ETF staff also noted they are in the early stages of an in-depth actuarial study of the factors driving the experience on this plan, as well as the potential for achieving savings through plan design modifications or other measures.

Staff recommended the Board consider Scenario 3, which balances the funding necessary to address the funding deficit in the foreseeable future while attempting to avoid adverse selection.

MOTION: Mr. Litscher moved to accept the actuarial review and Scenario 3 which will increase premiums 20% in each year from 2016-2020. Mr. Day seconded the motion, which passed unanimously on a voice vote.

Acceptance of Local Income Continuation Insurance Actuarial Valuation

Mr. Skwire directed the Board to the Local Income Continuation Insurance (ICI) Actuarial Valuation (ref. GIB |5.19.15|4A2), and noted that the plan is currently running a surplus. Projected annual investment earnings exceed annual benefits and expenses. Funding analysis indicates the premium waiver can be continued for the near future.

Staff recommended the continuation of the premium holiday for the Local plan.

MOTION: Mr. Grapentine moved to accept the continuation of the premium holiday and the actuarial review for the Local plan. Ms. Thompson seconded the motion, which passed unanimously on a voice vote.

Acceptance of Long-Term Disability Insurance Actuarial Valuation

Mr. Skwire directed the Board to the Long-Term Disability Insurance (LTDI) Actuarial Valuation (ref. GIB [5.19.15]4B). Milliman performed a funding analysis on the LTDI plan and determined that the plan was in deficit. Several scenarios were offered to correct the deficit.

Staff recommended Scenario 1, an increased contribution rate of 0.52% effective January 2016, and then set to 0.35%, effective January 2017 and beyond.

MOTION: Mr. Farrell moved to accept Scenario 1 as recommended by staff and accept the actuarial review. Ms. Carlson seconded the motion, which passed unanimously on a voice vote.

OPTIONAL PLANS

STAR-Related Changes

Mr. Voelker provided a brief update to the Board on the STAR project. Mr. Kox presented the memo, STAR Update and Health Insurance Contract (ref. GIB [5.19.15]5A), which included other ETF programs in which the STAR project has sought modifications:

1. Eliminating the six-month waiting period before state employees become eligible for Income Continuation Insurance (ICI) and life insurance. Currently, employees must have six months state service as a participating employee to be eligible. A participating employee is one who is covered by the Wisconsin Retirement System (WRS).
2. Modifying the effective date of coverage for the initial enrollment in health insurance, life insurance and ICI. Currently, the effective date is the first of the month following receipt of the application by the employer. STAR wants the effective date to be the first of the month that occurs during a 30-day period beginning with the date of hire for all participating employees.
3. Unifying and changing the effective date of termination of coverage. Currently, coverage for a non-retiring employee is the end of the month following the month of termination of employment, or the second month following termination for certain retirees. STAR wants the effective date of termination to be the end of the month of termination of employment in all cases.
4. Moving the payment date to health insurance carriers from the beginning of the month of coverage toward the end of the month.

The fourth item presents an issue of liquidity for the health insurance program in the way that health insurance premiums are collected. Staff identified three options to address this issue, which Mr. Kox discussed with the Board:

Option 1: Modify the payment date to the health insurers (as requested by STAR).

Option 2: Accept late payment from the STAR system and apply late payment provisions found in statute and code. This option would require using trust funds to be paid out prior to ETF's receipt of payments from employers.

Option 3: Establish an add-on to the administrative fee paid by employers instead of a penalty charged to employers (option 2) to offset ETF's costs to the trust fund.

Staff recommended Option 1: Move the employer and health plans due dates as requested by the STAR program.

MOTION: Mr. Heifetz moved to accept Option 1 as recommended by staff. Mr. Grapentine seconded the motion, which passed unanimously on a voice vote.

Optional Plans Annual Update

Ms. Harper directed the Board to the memo, Annual Update – Optional Employee-Pay-All Insurance Programs (ref. GIB |5.19.15|5B). Ms. Harper provided an overview of the Optional plan changes approved by the Board in 2014 and individually discussed each plans' experience.

Long-Term Care Insurance Proposal

Ms. Harper referred the Board to the memo, Proposal to Offer Transamerica Long-Term Care Insurance (LTC) Plan (ref. GIB |5.19.15|5C). Senior Care Insurance Services, Inc. submitted a proposal seeking to offer a Transamerica Plan, TransCare II 2012 (TransCare). The proposal was timely and contained the elements required in the *Standards for Proposing and Providing Long-term Care Insurance*. The Board's consulting actuary, Milliman, reviewed the proposal and stated that the program would provide a good option for LTC insurance to state employees and annuitants.

Staff recommended the Board approve the proposal by Senior Care to market TransCare to state employees, annuitants, their spouses, domestic partners and parents.

MOTION: Ms. Thompson moved to accept the Senior Care proposal as recommended by staff. Ms. Cyganek seconded the motion, which passed unanimously on a voice vote.

DENTAL BENEFITS REQUEST FOR PROPOSALS

MOTION: Ms. Thompson moved to convene in closed session. Mr. Grapentine seconded the motion, which passed unanimously on a voice vote.

The Board convened in closed session at 11:22 a.m. and reconvened in open session at 11:36 a.m.

MOTION: Mr. Neitzke moved to reconvene in open session. Mr. Day seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Litscher announced that Ms. Gobel and Mr. McNally updated the Board on the background and bid process for the evaluation of the Request for Proposals for the third party administrator for the self-insured dental benefit program. This included a breakdown of the costs, strengths and weaknesses.

Staff recommended the Group Insurance Board (Board) grant authority to the Secretary of the Department of Employee Trust Funds (ETF) to issue an intent to award the contract for third party administrative services for the self-insured dental benefit program (ETE0020) to Delta Dental of Wisconsin, Inc. (Delta Dental) for the period of January 1, 2016 through December 31, 2017, with the potential for 2 two-year extensions, subject to successful contract negotiations.

Staff further recommended that if contract negotiations fail with Delta Dental, the Secretary be allowed to issue an intent to award the contract to Anthem Blue Cross Blue Shield (Anthem).

MOTION: Mr. Neitzke moved to grant authority to Secretary of the Department of Employee Trust Funds to issue an intent to award the contract for third party administrative services for the self-insured dental benefit program to Delta Dental of Wisconsin, Inc. for the period of January 1, 2016 through December 31, 2017, with the potential for 2 two-year extensions, subject to successful contract negotiations. In addition, if the contract negotiations fail, the Secretary has the authority to issue an intent to award the contract for third party administrative services for the self-insured dental benefit program to Anthem Blue Cross Blue Shield for the period of January 1, 2016, through December 31, 2017, with the potential for 2 two-year extensions. Mr. Day seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Annual Ombudsperson Services Contact Report

Mr. Allen, Ms. Baker, and Ms. Doss-Anderson presented the Annual Ombudsperson Services Contact Report (ref. GIB [5.19.15]7A), which provided an overview of the 1,018 complaints and inquiries Ombudsperson Services handled in 2014. Charts provided a breakdown of the categories compiling the total contacts and the Ombudsperson staff explained the types of complaints and inquiries, as well as trends and benefit changes that will require close observation for 2015.

2014 Health Plan and Pharmacy Benefit Manager Grievance and Independent Review Report

Mr. Allen, Ms. Baker, and Ms. Doss-Anderson referred the Board to the 2014 Health Plan and Pharmacy Benefit Manager Grievance and Independent Review Report (ref. GIB [5.19.15]7B), which summarized the annual grievance data reported to ETF by all plans participating in the State of Wisconsin Group Health Insurance Program and Navitus Health Solutions (Navitus), the pharmacy benefits manager. Ombudsperson Services staff provided charts that displayed the breakdown of grievance outcomes, Navitus grievances by category, and outcomes of the Independent Review Organization process.

Other Operational Updates

Mr. Litscher directed the Board to operational updates 7C-7I, which were included in the Board member's binders and said staff were available if the Board had any questions.

ADJOURNMENT

MOTION: Mr. Heifetz moved to adjourn the meeting, seconded by Ms. Thompson, which passed unanimously on a voice vote.

The meeting adjourned at 11:53 a.m.

Date Approved: _____

Signed: _____

Michael Farrell, Secretary
Group Insurance Board